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Paul S. Howell/Houston Chronicle — Doug Goodman

Martin Sorrell's (r.) demands may have killed a deal between JWT and Frank Lorenzo's (l.) Continental.

Sorrell vs. Lorenzo

Conflicts over payment and clients kept JWT from deal with Continental

By Jennifer Lawrence

The sky was gray and overcast when Burt Manning flew into Houston on Friday, March 2—a fitting omen, as it turned out, for what was to happen that day.

Mr. Manning, chairman of J. Walter Thompson Co., was in Houston to try to win the $40 million-to-$50 million Continental Airlines account.

Pulling it off would bring together two of the toughest, most tight-fisted bosses in the world: Frank Lorenzo and Martin Sorrell.

Mr. Lorenzo, chairman of Continental and its parent, Texas Air Corp., was said to like JWT, New York, which had nearly won the account in 1986 when N W Ayer, now the fired incumbent, took home the prize.

Mr. Sorrell, WPP Group's chief executive, has been called the "Frank Lorenzo of advertising" by *The Wall Street Journal*. He was said to be pressuring WPP's JWT to improve its profit margins. A big win would help.

Mr. Manning's agency, previously ruled out of the running for the account because of a conflict with its Los Angeles office's Mexicana Airlines business, had emerged as a secret, last-minute contender.

Other agencies close to the competition were now saying a JWT/Continental alliance was almost certain.

Mr. Manning nonetheless touched down at the airport in Houston with a sense of foreboding. WPP, wary of Continental's financial condition, was insisting on something that could sour the deal: JWT would take on the account only if Continental agreed to, in essence, pay cash upfront rather than in 30 days as was done with Ayer and as is customary in the industry.

This arrangement would have amounted to WPP extending no credit to Continental. One source said it wouldn't be surprising for Mr. Sorrell to insist Continental be responsible for all media buys.

In fact, Robert Lerwill, WPP's chief financial officer, was also in Houston that day, dispatched by WPP to meet with Continental executives, presumably to lay down the payment terms.

At the fancy, marble-swathed Ritz-Carlton Hotel, Mr. Manning and his team waited for the Continental negotiators later that day.

Could he pull this off? Could he handle the delicate diplomacy needed to bring his boss, Mr. Sorrell, and the mercurial and equally demanding Mr. Lorenzo together?

Though neither Mr. Sorrell nor Mr. Lorenzo would be at the meeting, the wishes and indomitable will of each unquestionably overshadowed the talks, guiding each side's negotiators.

The Continental team—believed to be headed by John Nelson, exec VP-marketing, and James O'Donnell, senior VP-marketing—arrived. As the talks progressed, it became clear WPP's insistence on upfront payment had indeed become a stumbling block.

By nightfall, it looked grim, but not yet over. The dispirited JWT negotiators and their Continental counterparts parted company. By last Tuesday it was over.

It's still unclear even now who ended the talks. Partly, it appears, the conflict involving Mexicana was a factor. But it also appears certain payment terms really doomed the deal.

JWT now will watch on the sidelines as Continental chooses another agency—either Lintas:New York,

(Continued on Page 76)

WPP tops Saatchi in AA rankings

An Advertising Age roundup

WPP Group has become the world's largest agency group, surpassing Saatchi & Saatchi Co. in gross income and billings.

Figures submitted by both London-based companies showed WPP's 1989 gross income was $2.4 billion on billings of $16.05 billion. Saatchi reported $2.3 billion in gross income and $15.75 billion in billings.

The figures were submitted for *Advertising Age's* annual Agency Income Report, to be published March 26.

Ad Age's rankings are based on gross income. Last year, Saatchi was No. 1 and WPP ranked No. 3.

When examining figures for the two agency groups based solely on income from ad activities, however, Saatchi tops WPP. Saatchi claims 1989 gross income from advertising of $1.65 billion, while WPP only racked up $1.58 billion.

Advertising accounted for 71.7% of Saatchi's gross income and 71% of its billings. Advertising accounted for 65.9% of WPP's gross income and billings.

Saatchi's 1989 gross income grew 15.6% from 1988

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Promotions root around for seedlings

By Laurie Freeman and Scott Hume

The promotional marketing premium of the 1990s is . . . tree seedlings.

Companies such as McDonald's Corp., Ralston Purina Co., Dayton Hudson Department Stores Co. and Quintessence plan to give out seedlings this spring in promotions tied to Earth Day, Arbor Day or other environmental awareness events.

Many other marketers have held back on using this promotion for a simple reason: The demand has been so great, there aren't any seedlings left.

"The demand has been enormous this year," said Rich Hankinson, seedling sales manager for Weyerhaeuser Co.

"We're at the bottom of the barrel already," the executive added.

He estimates Weyerhaeuser this year will provide

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LAST MINUTE NEWS

K/D/P office for sale

NEW YORK—Della Femina, McNamee WCRS is negotiating to buy Keye/-Donna/Pearlstein's office here, sources close to the talks said. The office opened more than a year ago and has about $10 million in billings. The office's vice chairmen-directors of creative services, Tod Seisser and Jay Taub, both worked at Della Femina earlier in their careers. Los Angeles-based K/D/P executives wouldn't comment on the negotiations but denied speculation the rest of the agency is for sale because of the loss of the Suzuki auto account. Della Femina Chairman Jerry Della Femina declined comment at press time but previously said his agency was interested in acquiring another New York shop.

Dentsu, U.S. shops talk

CHICAGO—Dentsu executives from Tokyo and New York met last week with Bernard Miller Jr., chairman of Columbian Advertising here, a promotion agency specializing in point of purchase. Mr. Miller said Dentsu "was interested in getting an introduction to our agency, meet with our executives and review the work we've done. We may work together on some projects, wherever that might lead." Sources also said that Dentsu is getting closer to a marketing partnership with FKB Group, London, which has U.S. headquarters in Stamford, Conn. (AA, Dec.

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Advertiser confidence in ad agencies declines again.

New Mac ups power

But Apple still needs low-end PC

By Bradley Johnson

Apple Computer will break separate ad campaigns around the world March 19 to launch its most powerful and costly Macintosh ever.

The U.S. campaign will break with a four-page ad in *The Wall Street Journal*.

Different ad campaigns will break simultaneously around the world.

The first three pages of the U.S. ad will be devoted to the power and ease of use of the new Macintosh IIfx. The fourth page shows how the new entry fits into Apple's broad Macintosh lineup.

"The power to be your best" continues as the theme line.

To fight the perception that Macintosh is only a graphics machine, ads will play up its abilities as a general, heavy-duty business computer.

BBDO Worldwide, Los Angeles, handles the U.S. account. BBDO offices also serve most of Apple's foreign markets.

The new Macintosh, priced at about $10,000, will target large corporate and government accounts for such uses as engineering and database management.

The Macintosh IIfx will compete with top-of-the-line personal computers from IBM Corp. and with the low end of the burgeoning electronic workstation category, which includes entries from Sun Microsystems and Next Inc.

This is the first major product and ad move from Apple since it underwent a highly publicized management and personnel shake-up earlier this year to counter slowing growth.

The new machine bears the imprint of two now-departed executives: Allan Loren, former president of Apple's U.S. division and a big advocate of getting Apples into big business, and Jean-Louis Gassee, former president of Apple Products, who believed in pushing the power of Macintosh onward and upward.

But it does nothing to solve Apple's biggest problem—the lack of new machines to replace the aging, below-$2,000 Macintosh Plus and Apple II computers intended for the massive home, small-business and educational categories.

International Data Corp., a market research company, estimated the overall PC and workstation market at $28 billion this year. About half the PCs sold in the U.S. will be priced at under $2,500.

A low-end Macintosh rumored for introduction before Christmas could prove a pivotal product.

"The key issue for Apple over the next 12 months is going to be filling that gap," said David Carnevale, VP and analyst at InfoCorp., a consultancy. □

Departures hit Riney

By Alice Z. Cuneo

SAN FRANCISCO—The exodus from Hal Riney & Partners escalated last week as four VPs bolted to form their own agency.

The latest departures follow the exit of three top Riney creatives from the office here and resignations from other offices.

Since last August, at least 10 executives have left Riney.

Leaving last week were Tom Bedecarre, 34, VP-management supervisor on the Perrier Group and the Stroh Brewery Co. accounts; Kirk Citron, 33, senior VP and senior writer; Jeff Atlas, 33, VP copywriter; and Matt Haligman, 31, VP-art director.

Their agency here will be called Atlas Citron Haligman & Bedecarre.

Mr. Riney, who formed his own agency in 1986 from the former Ogilvy & Mather San Francisco office, has seen people under his direction form three shops. The other two are Goodby, Berlin & Silverstein (1983) and Mandelbaum Mooney Ashley (1988).

Mr. Bedecarre said he and his partners "have thought about starting our own group for years and had it in the works." The timing—in the wake of other departures, rumors about the agency's sale and the Perrier recall—is "purely coincidental," he said.

J. Atlas

K. Citron

Mr. Riney expressed no concern over the departures.

"It happens all the time," said the agency's chairman-ceo, adding that "there's something flattering" about being considered "the father of creative directors."

One Riney official who asked to remain anonymous called the departures "a gift of some additional housecleaning. In a dynamic business like this, you have to freshen the pool."

The other departures include:

- Peter Murphy, San Francisco creative director, who joined Backer Spielvogel Bates, New York, as exec VP-copywriter.
- Dan Mountain, senior VP-associate creative director, who left last month to become senior VP-co-creative director at Hill, Holliday, Connors, Cosmopulos, Marina del Rey, Calif.
- Mike Leonard, senior VP-creative director, who went to Foote, Cone & Belding as senior VP-group creative director.

Also, Riney's Chicago office lost two top creatives, Ron Hawkins and Bob Taylor, to DDB Needham Worldwide in Chicago (AA, Jan. 8).

Last August, Bob Cox, senior VP-executive creative director of the New York office, resigned.

Though Mr. Riney is known to be difficult to work with at times, none of the departees said they were unhappy with their old jobs.

"It was an opportunity I couldn't refuse," said Mr. Leonard, who created award-winning work at Riney for the United Way of the Bay Area. "Hal has taught me a great deal, and I've gotten a lot from him."

Mr. Mountain said he took his new job because "it was an offer that was awfully good—it would have been silly to turn it down."

Mr. Murphy said he had wanted to return to New York. □

TV nets risk glut of sports

By Wayne Walley

The Big 3 networks, along with ESPN and Turner Broadcasting System, could be forced into creating a two-tier price structure to sell the massive amount of sports inventory resulting from the latest round of TV contracts.

ABC, CBS, NBC, ESPN and Turner have spent more than double the previous TV contract renewals, shelling out about $8 billion over the past 18 months to secure rights to Major League Baseball, the National Basketball Association, the National Collegiate Athletic Association basketball tournament, the 1992 and 1994 Winter Olympics, the 1992 Summer Olympics and the National Football League.

Last week, CBS wrapped up the latest football deal, spending an estimated $1 billion for a package of Sunday afternoon National Football Conference games, playoffs and the 1992 Super Bowl, a 76% increase.

NBC also completed its four-year, $753 million deal for Sunday afternoon American Football Conference games, playoffs and the 1993 Super Bowl, a 57% increase.

Earlier this month, ABC spent $950 million in a four-year deal for rights to "Monday Night Football," two wild-card playoff games each year and the 1991 Super Bowl, a 61% increase.

The spending spree adds up to what advertisers and agency executives believe will be a glut of inventory, softening the marketplace and bringing opportunistic buys back to sports.

"CBS made a presentation for time available in the NCAA tournament and the Final Four a week before the games started. That's unprecedented," said Steve Auerbach, senior VP-director of network programming at Ally & Gargano, New York.

"People are going to start waiting for the pendulum to swing back

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The weight of tobacco ads

Percentage of overall ad revenues from tobacco advertising among the top 25 magazines in terms of 1988 circulation.

Magazine	Tobacco advertising (in millions)	Tobacco advertising as a % of overall ad revenue
Star	$6.7	43.4
Penthouse	5.1	25.3
Field & Stream	5.9	15.9
Life	6.2	12.7
McCall's	7.0	11.2
Sports Illustrated	35.0	10.8
TV Guide	30.5	10.8
Redbook	7.0	10.2
Popular Science	2.0	9.3
People	27.5	9.0
Playboy	7.7	8.9
Ladies' Home Journal	7.0	8.4
Glamour	6.2	7.1
Cosmopolitan	7.9	6.9
Newsweek	16.6	6.9
U.S. News & World Report	8.6	6.7
Better Homes & Gardens	10.1	6.6
Time	22.9	6.5
Family Circle	8.3	6.2
Woman's Day	6.9	6.0
Southern Living	3.1	5.0

Note: Four magazines in the top 25 do not accept tobacco advertising.
Source: 1990 Leadership Council on Advertising Issues

John Hall

Publishers bracing for smoke-free pages

By Scott Donaton

Magazine publishers are girding themselves for life after tobacco.

Amid a growing number of legislative threats to tobacco advertising, publishers are fighting harder than ever to keep the category in their pages. But they're also starting to form contingency plans for their publications minus tobacco ads.

Time Warner's *Entertainment Weekly*, which made its debut last month, went so far as to exclude tobacco advertising from its business plan, though it does accept it. Tobacco is expected to account for at least 10% of the title's launch-year revenues.

"If you're going to start publishing a new magazine in 1990, you would be irresponsible not to look at the case where tobacco advertising wouldn't be around in five years," said Michael Klingensmith, *Entertainment Weekly* publisher. "If the magazine wasn't viable without tobacco, you wouldn't want to start it."

Publishers of more established titles insist they don't have a grand plan for dealing with the disappearance of tobacco ads. But industry experts say that behind the scenes, magazines are scrambling to bring in new categories and pressing marketers in existing categories to boost spending.

"Even though publishers haven't given up the fight, the expectation is that within five years, tobacco will be gone," said PaineWebber analyst J. Kendrick Noble. "A lot of magazines just aren't budgeting for tobacco when doing long-term planning."

Other new magazines such as Forbes Inc.'s *Egg*—an ideal vehicle for tobacco marketers—are trying to avoid an addiction to tobacco pages from the start.

"We don't see tobacco as a prime category," said *Egg* President Timothy Forbes. "I'm happy to have it, but I don't see it as a cornerstone the way I see liquor, fashion, entertainment and beauty. We won't live or die by it."

Proposed bans on tobacco advertising have surfaced in the past, but 1990 may be the year the issue is put to its toughest test. A growing number of bills that would restrict or ban the promotion and advertising of tobacco products are pending in Congress *(see related stories on Page 6)*.

Among the most feared is a bill from Sen. Edward Kennedy (D., Mass.) that would repeal the federal pre-emption of state restrictions on tobacco advertising. If the bill passes, it could result in a de facto ban on national tobacco ads.

In addition, Health & Human Services Secretary Louis

(Continued on Page 78)

Y&R grooms Pollak, Burandt for future

By Jon Lafayette

NEW YORK—The future leaders of Young & Rubicam emerged last week from the agency's reorganization.

Tim Pollak and Gary Burandt are seen as leading candidates to be the next-generation management team at privately held Y&R.

Mr. Pollak has been mentioned as a possible successor to Alexander Kroll when the 51-year-old chairman-ceo of Young & Rubicam decides to step aside.

That isn't likely to happen soon. "We're all pretty young, it's probably premature to talk about my successor," Mr. Kroll said.

But Mr. Kroll, who succeeded Ed Ney as chairman in 1986, had been tapped as a candidate for the agency's top spot several years before the move.

Mr. Pollak, the 43-year-old ceo of HDM Worldwide, Y&R's joint venture with two other international agencies, last week was named president-ceo of Y&R's flagship New York office.

Gary Burandt, 46, now ceo of Y&R Sovero in Moscow, was named to replace Mr. Pollak at HDM.

The moves place executives being groomed for leadership roles into key positions, Mr. Kroll acknowledged.

"It's perfectly appropriate at this time," he said. "We've given some younger people a chance to really flex their muscles and given them new challenges."

Dentsu, Tokyo, and Eurocom, Paris, Y&R's partners in HDM, "were very pleased for Tim getting a chance to run our flagship company," Mr. Kroll said. During Mr. Pollak's tenure, HDM grew 30% annually.

The HDM partners "were also delighted about Gary," Mr. Kroll said. "He has all the credentials."

With the reorganization last week, Mr. Kroll appears to be fine-tuning the classic Y&R "whole egg" approach of providing a supermarket of services for each client.

In the new arrangement, Y&R companies including Cato Johnson/Y&R and Landor Associates are no longer part of Y&R Advertising, enabling each to develop its own management and strength

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Pepsi yawning over relaunch plans for Coke II

By Patricia Winters

Pepsi-Cola Co. is taking the high road and likely will ignore Coca-Cola Co.'s announced relaunch of new Coke as Coke II.

A Pepsi-Cola spokesman called Coke II—designed to take young consumers from Pepsi—another "validation of the great taste of Pepsi."

That reaction provides a hint of Pepsi's possible marketing strategy should its competitor roll national with Coke II.

"Pepsi should treat this the same way they treated new Coke," said Al Ries, partner at Trout & Ries marketing consultants. "They should pooh-pooh it; it's another attempt to launch a me-too product."

But Coke II, which will go into an undisclosed test market within the next few months, could create a strategic problem for Pepsi-Cola.

Already, Coca-Cola is using Diet Coke to attack Pepsi, claiming consumers are switching from sugared Pepsi to sugar-free Diet Coke. That positioning, targeting Pepsi's 25-to-49-year-old base, has been lauded as a way to attack Pepsi without dragging flagship Coca-Cola Classic into the fray.

But Pepsi's core strength is with "the new generation"—preteens and young adults, and it's that group Coca-Cola wants to attract with Coke II.

In 1989, Coca-Cola Classic had a 20% share of the estimated $43 billion soft-drink market, followed by Pepsi with 18.3%, according to *Beverage Digest*, an industry newsletter. New Coke was far behind with a 1.4% share.

In supermarket sales—where consumers have a choice of brands—the two leaders are even closer. In December, for instance, Pepsi and Coca-Cola Classic were tied with 15.8% of the market. Classic and new Coke combined had 16.6%.

Coca-Cola's attempts to attract Pepsi's young consumers with new Coke failed, at least partly because of the brand's ambiguity and the stigma it still carries from its birth as a reformulated Coca-Cola in 1985.

The brand never established its

(Continued on Page 78)

TURTLE SHILLS

Tie-ins will give boost to Mutants' movie

By Marcy Magiera

They're lean, green and soon they'll be on movie screens, K mart shelves and Burger King displays.

"Teenage Mutant Ninja Turtles," the live-action movie, opens nationally March 30, backed by an estimated $8 million promotional campaign by the film's distributor, New Line Cinema.

MOVIE MARKETING

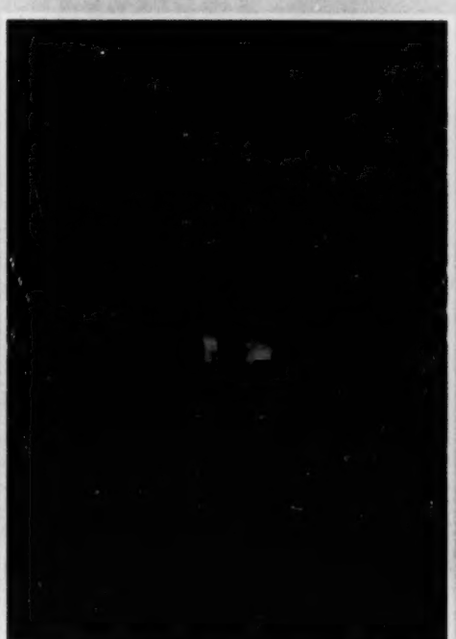
But that's just the start. Advertising and promotion dollars spent by other marketers, directly or indirectly tied in to the movie, could push spending for "Ninja Turtles" into the $30 million range.

New Line and marketers including K mart Corp., Ralston Purina Co., ConAgra Consumer Frozen Food Co., Kraft General Foods Group and Burger King Corp. are hoping to tap the interest of kids who are already watching Group W Productions' syndicated "Teenage Mutant Ninja Turtles" cartoon and buying a slew of merchandise from some 300 Ninja Turtles licensees.

"We get a lot of inquiries about possible tie-ins such as this, [but] we found this one intriguing," said K mart VP-Marketing Michael Wellman.

"In so many of the others, the product is brand-new and quite often products tied to movies aren't very successful. This product already has a track record," he said. "The movie is following the success of the [licensed merchandise] and the cartoon."

K mart on April 1 will launch an in-store promotional campaign and sweepstakes tied to the movie. The retailer also will devote part of its 72 million circulation newspaper insert to the "Ninja Turtles" promotion on April 1. Ross Roy Inc., Bloomfield Hills, Mich., is K mart's agency.



New Line Cinema brings Ninja Turtles to screen.

Other marketing tie-ins include the following:

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Automakers, Sears fuel gain in TV spending

By Wayne Walley

NEW YORK—Sears, Roebuck & Co.'s big TV ad budget promoting its "everyday low price" strategy and the automotive industry's fourth-quarter spending spree helped broadcast TV reap a record $21.3 billion in 1989 ad revenues.

The total represented a 3.6% gain despite a drop of more than $100 million in political ads from 1988, said the Television Bureau of Advertising, which compiled the figures from Broadcast Advertisers Reports.

The automotive industry topped all ad categories for the first time. Automakers spent a combined $2.97 billion on network, spot and national syndication in 1989, a 14% increase, and also helped fuel the record network upfront selling season last summer.

The auto industry's total of $2,969,741,100 edged ahead of 1988's top-spending category, food and food products, by close to $600,000.

National syndication showed the largest percentage increase among the TV media, jumping 42.9% to $1.3 billion. Network TV revenues, without national elections or the Winter and Summer Olympics, remained flat at about $9.6 billion.

Top-rated NBC led the Big 3 networks with revenues of $3.7 billion in 1989, down about 3.7%. ABC's revenues initially dipped by more than 25% without the influx of Winter Olympic sales revenue in the first quarter, but the network finished the year with $3 billion in ad revenues, almost equal to 1988.

CBS was the only Big 3 network to show improvement in 1989 with revenues increasing about 4% to $2.85 billion.

General Motors Corp. led all advertisers in network TV spending with $506.5 million, up 14%. Sears' spending shot up 118% to $187 million to rank ninth among network advertisers. Sears also upped its local/retail TV ad budget by 210%, spending $46.5 million to rank seventh among local/-retail advertisers.

In syndication, Philip Morris Cos. remained the top advertiser, spending $106 million, up 21%. Procter & Gamble Co. spent almost $88 million in syndication, a 39% increase, while Kellogg Co. more than doubled its syndication spending to $50.6 million from $23.4 million.

National and regional spot TV ad revenues totaled $5.4 billion, up 2.3%, TvB reported. Local TV spending increased 4.5% to nearly $5.1 billion.

The automotive companies, including dealer associations and all products and services, particularly helped push up the spot business.

GM ($350 million), Ford Motor Co. ($180 million), Chrysler Corp. ($166 million), Toyota Motor Sales USA ($164 million), Nissan Motor Corp. USA ($121 million) and American Honda Motor Co. ($86 million) all ranked among the top 10 national and regional spot buyers. Their spending increases ranged from 8% to 41%. □

Top 25 network television advertisers—1989

Rank	Advertiser	1988	1989	% chg
1	General Motors Corp.	$506,513,500	$443,402,300	14.2
2	Procter & Gamble Co.*	441,419,100	408,816,900	8.0
3	Philip Morris Cos.	368,373,000	388,601,800	(5.2)
4	Kellogg Co.	324,822,800	297,739,800	9.1
5	McDonald's Corp.	252,066,200	245,388,500	2.7
6	Ford Motor Co.	201,371,700	175,687,800	14.6
7	Kohlberg Kravis Roberts & Co.*	198,356,400	230,777,800	(14.0)
8	Unilever*	189,906,100	197,265,000	(3.7)
9	Sears, Roebuck & Co.*	187,511,300	85,900,600	118.3
10	Anheuser-Busch Cos.*	181,467,000	207,363,700	(12.5)
11	American Home Products Corp.*	176,182,800	180,449,000	(2.4)
12	Johnson & Johnson*	169,945,300	175,669,700	(3.3)
13	PepsiCo.	168,815,000	145,047,900	16.4
14	AT&T Co.	162,749,500	173,912,300	(6.4)
15	Grand Metropolitan*	148,215,600	95,822,600	54.7
16	General Mills	144,974,500	137,450,100	5.5
17	Chrysler Corp.*	140,580,800	163,229,600	(13.9)
18	Eastman Kodak Co.	137,517,300	144,751,100	(5.0)
19	Bristol-Myers Squibb Co.*	133,870,000	121,264,800	10.4
20	Toyota Motor Sales USA	110,846,900	64,193,100	72.7
21	Quaker Oats Co.	104,414,800	123,327,100	(15.3)
22	American Honda Motor Co.	101,012,500	91,884,400	9.9
23	Warner-Lambert Co.	100,825,600	111,071,700	(9.2)
24	Coca-Cola Co.*	98,905,500	119,090,700	(16.9)
25	Nestle*	89,891,800	72,700,100	23.6

*1988 data adjusted to reflect mergers, acquisitions, divestitures in 1989. Source: Television Bureau of Advertising from Broadcast Advertisers Reports data.

WHO SHOOK UP LAWRY'S 17 WAYS?

The same techniques that helped develop new Salt-Free 17 for Lawry's, Brownie Sundae™ for General Mills, Water Babies™ for Coppertone, The Magic Mushroom Air Freshener for Airwick, and new Cherry 7Up can spell success for you.

Why is 70% of all our business *repeat business?*

- Our success rate;
- We're sensitive to your needs.

SALT-FREE 17: The brand new salt alternative from the #1 name in flavored salt, Lawry's.

We offer three different new product or re-staging programs. One is ideal for your needs.

To find out more, call or write Sonia Kallen (914) 631-8800. 55 South Broadway, Tarrytown, NY 10591.

Schoenfeld, Chapman & Pearl

New Products/Brand Leveraging Consultants

Paint makers stir up ads

By Kate Fitzgerald

Rival paint marketers are about to splatter one another in a spring battle for America's walls.

Glidden Co. fires first with a $10 million network TV campaign breaking today.

Sherwin-Williams Co.'s Dutch Boy brand will counterattack in May with a major network TV campaign, upping its ad budget to $15 million from $4 million last year.

Both want a bigger share of the $2.5 billion consumer paint industry. Competition has intensified as use of house paint has fallen, while other types of surfaces gain popularity, marketers say.

Yearend figures showed Glidden edging ahead of Sears, Roebuck & Co. with a 13.5% market share. Sears' Weatherbeater, Easy Living and other brands had 11.8% and Dutch Boy had 6.9%. Overall, Sherwin-Williams brands have about 20% of the market.

Both Glidden and Dutch Boy are previewing their ads at the Home Center Show in Chicago this week, vying to increase distribution of their products through the fast-growing do-it-yourself retail channel.

"The paint market is suffering from the loss of paintable surfaces," said Charlie Carpenter, Glidden VP-marketing services. "More new homes are being built with various wall coverings, along with more wood paneling, acoustical surfaces, solar panels and windows. There are fewer walls around to paint."

Glidden's four 15-second TV spots—its first new creative in two years—claim more people have switched to Glidden in the past five years than to any other brand.

Against original versions of "Stormy Weather" and "Whole Lotta Shakin' Goin' On," Glidden's new spots stress durability. Print starting May 1 supports. Meldrum & Fewsmith, Cleveland, handles.

"Dutch Boy and other paint marketers are going after yuppies, but yuppies don't buy paint," Mr. Carpenter said. "The biggest market is people between 35 and 55 who are rehabbing homes they already own."

Dutch Boy's TV campaign takes a "more positive" approach to marketing paint, said Pete Balint, director of advertising and marketing.

"The other paint marketers have turned people off to painting their homes through negative ads that talk about paint peeling, cracking and wearing out," he said. "Our approach is to make people really look forward to painting their homes—to want to paint."

The five new 15- and 30-second spots show a group of young people joyously painting a huge old home, with before-and-after glimpses. The spots are themed "The look that gets the looks."

Support in consumer magazines is planned. Griswold Inc. handles.

Dutch Boy also expects to see its market share grow through increased distribution.

Sears agreed to distribute Dutch Boy in its stores nationwide, starting March 1, as part of its move to offer more national brand names. □

WORLD NEWS ROUNDUP

■ **London—Burger King,** part of Grand Metropolitan Retailing, broke a $16 million TV campaign last week via D'Arcy Masius Benton & Bowles.

■ **Sao Paulo—MTV: Music Television** will be launched here this summer via a new UHF channel owned by Editora Abril Publishing. Duailibi, Petit, Zaragoza Propaganda will handle the $1.5 million campaign for MTV's first Latin American venture.

■ **London—TSB Banks** moved its $24 million account to Dewe Rogerson from J. Walter Thompson Co.

■ **Hamburg—Stern** magazine, published by Gruner & Jahr, moved its account to Backer Spielvogel Bates subsidiary Scholz & Friends from Michael Schirner GmbH, Duesseldorf.

■ **Canberra—Cigarette** ads at televised Australian sporting venues have been threatened by a Federal High Court decision convict-

(Continued on Page 56)

SPECIAL REPORT

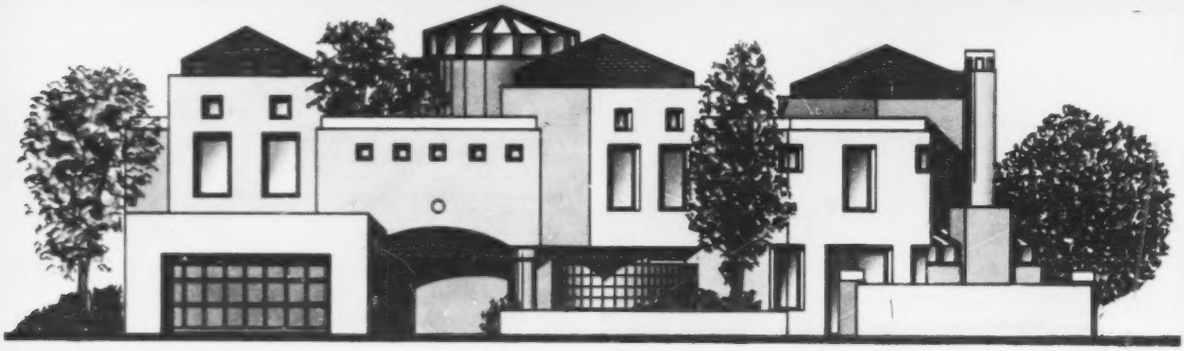
House & Home

Edited by Therese Kauchak

More in less S-2
Space-saving, efficient appliances due.

Country books still chic S-6
But other home categories emerge.

Homebody S-8
Martha Stewart sets the table for '90s.



House of the '90s opens up

Kitchen major ingredient in new product, marketing plans

By Lori Kesler

The house of the '90s may look like its Ozzie and Harriet ancestors from the exterior, but the interior will feature an openness and dedication to form and function that George Jetson might find comforting.

Interior structure will undergo drastic changes as rooms are redefined and merged in patterns that owe more to pragmatism than tradition, as shown on this page in the 5,000-square-foot "House of the 1990s" designed by Berkus Group Architects.

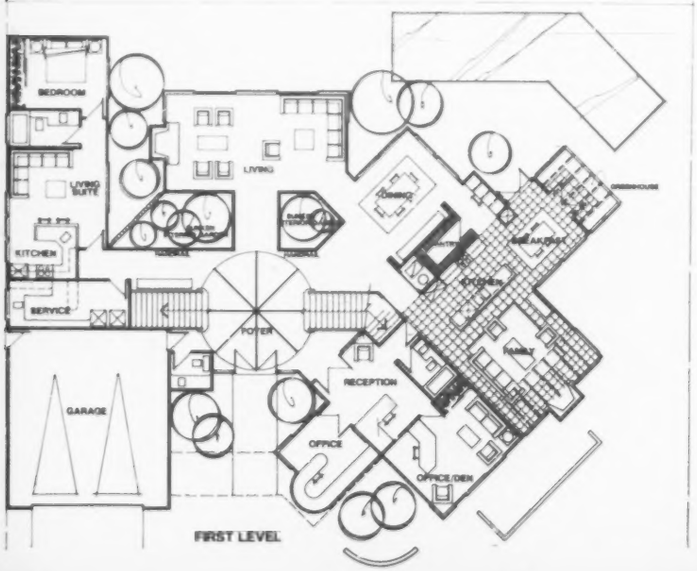
Home furnishings and appliances marketers will adapt to this spacial redefinition with products that allow for more flexible use. Formal furniture and sterile kitchen appliances will take on a more relaxed style, so they will be at home as much in a living room as in a kitchen.

The hub of family life will be a warmer, friendlier kitchen with an adjoining family living area, says Pamela Sutcliffe, publicist, Berkus Group.

Other experts agree, hinting at sweeping changes in home design and home product marketing.

Dorothy Kalins, editor in chief of *Metropolitan Home*, says the kitchen will be the family's prime gathering spot because it's a magnet for family members in the early evening.

SECOND LEVEL



FIRST LEVEL

"Working families these days are very busy," says Tom Jackson, building and environmental editor of *Better Homes & Gardens*. "When they collide in the house at 5 p.m. or 6 p.m., they want to make the most of the time they have together."

With people spending more time in the kitchen, appliance and furnishing design will change to make the room "more homey and less like an insecticide factory," says Ms. Kalins.

"In the 1970s and '80s, we wanted the cool European-style kitchens," says Joseph Ruggiero, editor in chief of *Home*. "Now we're going back to Grandma's house, with a fireplace in the kitchen, maybe a wood-burning pizza oven, a home-canning center and a vegetable garden outside the back door."

The Berkus Group house includes a kitchen with a self-contained living and dining area. This reflects a trend in home design "to bring the family together rather than scatter them in all directions," says Mr. Jackson. He adds that kitchen and family areas will be separated only by half-walls and pass-throughs.

"The kitchen will spill out into the family room, and the living and dining rooms will flow into

(Continued on Page S-2)

Berkus Group Architects' "House of the 1990s" includes apartments for live-in kids and grandparents, anticipating demographic shifts and the return of the nuclear family.

BAROMETER

Go to your room!

How many times have you heard that as a child, or said it as a parent?

Far from being a place sent to for punishment, the bedroom is viewed as a sanctuary, according to results of an exclusive Gallup Organization/*Advertising Age* survey of 1,000 adults.

And while futurists say the kitchen will become the center of the household, the living room currently commands top billing.

And if you're a creative director trying to picture where your ads are being seen, heard and read, look below. Context can be everything.

In which room do you spend the most time:

Watching television?
57% living room
15% family room
11% den

Listening to radio?
26% living room
26% bedroom
20% kitchen

Reading newspapers?
43% living room
18% kitchen
11% family room

Reading magazines?
44% living room
18% bedroom
11% family room

Together as a family?
48% living room
14% family room
10% kitchen

Eating?
55% kitchen
26% dining room
12% living room

Talking on the telephone?
36% kitchen
25% living room
13% bedroom

Arguing?
23% living room
22% kitchen
8% bedroom

In which room:

Do you spend the most time by yourself?
33% bedroom
22% living room
9% kitchen

Does your spouse spend the most time alone?
18% bedroom
18% living room
7% kitchen

Do your children spend the most time alone?
28% bedroom
7% living room
2% family room

Which room is your sanctuary?
41% bedroom
19% living room
7% den

Source: Gallup Organization/*Advertising Age*
Note: Top three responses to each question provided.

Doug Goodman

Louis Oliver Gropp

PEOPLE TO WATCH

Combine a new concept in shelter publishing with the *Elle* name and what results? Readers and advertisers.

The premiere March issue of *Elle Decor*, a Diamandis Communications publication based on the concept that readers want a magazine that presents a less regimented, more personal approach to interior design, carried 60 pages from such upscale marketers as Chanel and Mercedes-Benz. The initial rate base is 200,000; more than 30,000 already have subscribed.

The real challenge in launching any magazine is for the finished product to somewhat resemble the vision that inspired it.

That's where Louis Oliver Gropp comes in.

Mr. Gropp returned to publishing in January when he left his post as VP-design and creative services at fabric manufacturer WestPoint Pepperell to become *Elle Decor's* editor in chief.

The 54-year-old journalist is no stranger to the shelter magazine field. In fact, he's a grizzled 30-year veteran best known for his early-to-mid 1980s stint as editor in chief of Conde Nast Publication's *House & Garden*.

Contacted by Diamandis execs late last year, Mr. Gropp accepted the *Elle Decor* post without hesitation.

"Their vision of the magazine was one that I could easily embrace," he says. "It was a very good fit for me."

The typical member of the *Elle Decor* audience, says Mr. Gropp, is "an *Elle* reader who was never a shelter book reader, who will find in this book the kind of coverage she was accustomed to as a young *Elle* reader.

"The thing that sets *Elle Decor* apart from its fellow travelers in the shelter field is that it's going to be an interesting combination of wonderful rooms and homes and gardens and the connection to those things that make them magical. If we do a piece on gardens, we might do a separate story on colorful flower pots."

—*Scott Donaton*

Country as chic as it ever was

But while the niche turns into a groundswell, other categories are emerging, with traditional and personal leading the way for publishers

By Scott Donaton

HOME READING

In magazine publishing, 12 years is a long time for one niche to stay hot, but country magazines have somehow managed to do just that.

Since the debut of Hearst Corp.'s *Country Life* in 1978, at least 30 titles have crowded the niche, which is still growing. Hearst will test the upscale *Countryside* this fall.

Despite country's lasting success, magazine publishers and editors are looking ahead, wondering what niche will next set the home magazine category on fire.

Two subcategories mentioned most often as likely contenders are traditional, actually an extension of the country category, and personal, which is named as both a new niche and a style that can be translated to existing home magazines.

"I believe the move is on towards traditional," says Jerry Ward, publisher of Meredith Corp.'s Better Homes & Gardens Special Interest Publications group. Mr. Ward, who also serves as publisher of Meredith's *Traditional Home*, admits he is biased, but says, "Traditional just seems to be the most important movement right now and it parallels the whole resurgence of traditional values and ideas."

Several publishers echo Mr. Ward's theory.

"There seems to be great interest in things traditional," says Thomas Losee Jr., publisher of Knapp Communication's *Architectural Digest*. "The stage is set from a sociological standpoint. People are hungering for more traditional values."

The traditional category includes *Traditional Home*, country books and any home magazine devoted to a basic lifestyle. Industry observers say people were interested in reading about such a lifestyle in the 1980s but are now ready to live it.

The second category they predict will heat up is less clearly defined: It is dubbed, for lack of a better word, "personal."

For example, Diamandis Communications' *Elle Decor*, which debuts in March, maintains that an individual's personal taste will play a larger role in interior design decisions in the coming decade.

"There will be a growth of individual styles of decorating," says Stephen Burzon, publisher of Meredith's *Metropolitan Home*. "I see an eclectic or personal style, a fashionable way of decorating that mixes country and contemporary, traditional and classic."

"Each [home] magazine in the market has a very specific style. It might be country or contemporary," says *Elle Decor* Publisher Polly Perkins. "What is unusual about *Elle Decor* is you can put it

Gimme shelter

Top 10 home decorating magazines

Title	1989 Ad pages	% change
Architectural Digest	1,892.32	2.7
Metropolitan Home	**1,228.31**	**15.1**
Country Living	1,106.38	-1.2
HG	**998.32**	**-11.8**
House Beautiful	818.30	-4.4
1,001 Home Ideas	**699.74**	**2.5**
Home	675.68	-7.3
Country Home	**453.14**	**25.2**
Victoria	417.95	145.0
Colonial Homes	**358.82**	**-2.6**

Source: Publishers Information Bureau

Genius

(Continued from Page S-2)

vices at researcher LINK Resources. "By the end of the '90s, we'll see 40-inch flat-screen sets for about $4,000."

Mr. Rosen estimates only high-end consumers, representing about 3% of the TV-buying market, will be active targets for these high-priced sets. "Prices will have to be $500 to $700 for the rest of society to jump in," he says.

Some industry sources suggest the price drop will occur much earlier if the right production technology is found.

The most imminent technological improvement for TV is Improved Definition Television, which uses digital technology to produce better pictures and allow picture-in-picture features.

IDTV sets priced for less than $2,000 will be out within the next two years, says David Bolotsky, consumer electronics market analyst for Goldman, Sachs & Co. "But I don't see the product taking off until the price point becomes less than $1,000."

Enhanced Definition TV, which requires FCC approval, also may be out before HDTV.

The market potential for both IDTV and EDTV depends "to a great extent on pricing," says Mr. Bolotsky. "There's no reason, if the pricing is right, why sometime down the road [sales of IDTV and EDTV sets] couldn't be half the market or more."

Laser discs, once considered dead, have returned because their resolution is considered superior to tape's and combination units that also play audio CDs have become available.

"Laser discs didn't have an auspicious beginning, but sometimes timing changes things," says Mr. Hametz.

Sony Corp. is expected to push personal video products that combine TVs with VCRs, but it's difficult to predict whether they will catch consumers' fancies as did the original Walkman.

Sony's Video Walkman, which

Golden goose of '90s: Home office items

By Jacquelyn Bivins

OFFICE IN THE HOME

The long-predicted advent of the "electronic cottage" may finally be at hand. The concept of home businesses may not be new, but the anticipated explosion in the number of people working out of their homes in the future is.

The Berkus Group prototype design of the home of the '90s shown on Page S-1 allows for such an eventuality: It includes his-and-hers offices and space for a receptionist.

Manufacturers are preparing for an increased demand for high-tech home office equipment, confronting primarily a logistical problem of better targeting ad messages to home workers.

The numbers are compelling. By 1993, close to 38.5 million people may be working at home, according to LINK Resources' National Work-at-Home survey, up 55.2% from 1988. Home-based workers will make up 30.6% of the total U.S. labor force by 1993, according to the survey.

Growth in home office product sales are outdistancing the overall consumer electronics market, according to the Electronic Industries Association. In 1989, home office products (including cellular phones) represented $6.9 billion of the $32.2 billion industry. Home office product sales jumped 15% from 1988 to 1989 while total industry sales grew 6%.

The home office is not just a spin-off of big-city business, says Tom Lauterbach, VP-communications for EIA. "It is no longer a Chicago, New York or L.A. phenomenon," he says, but is affecting "more 'C' and 'D' counties."

It also is spreading beyond home workers simply adding an extra phone line and a word processor. "Whether it is because you are a salesman, a two-income family doing some work at home or an entrepreneur, five years from now most people with a home office will have a [personal computer], use a fax and do desktop publishing," says William Kopp, Panasonic Co.'s VP-communication products. "You won't be able to survive with a four-function calculator."

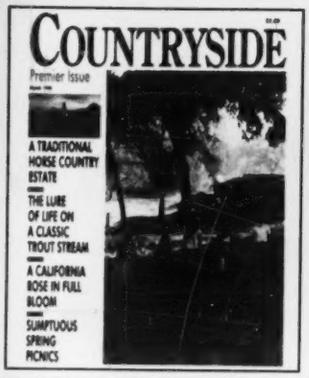
Panasonic is expanding its line of home office products, says Mr. Kopp. New facsimile and answering machines announced in January offer additional features tailored to home office needs.

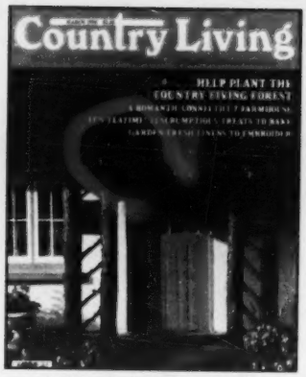
Few suppliers currently are targeting advertising to home workers because of a lack of targeted media, says Jack Nilles, president of JALA Associates, a research company studying the market. Most home-based workers, heavily dependent on computers, "read one or more of the computer publications, but when it comes to advertising, there is very little there for them," he says.

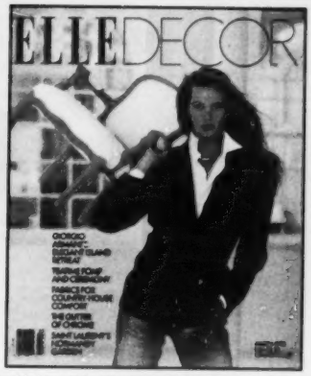
Mr. Nilles says he expects home office product advertising to develop within a few years. "We're already seeing some shift in how companies are looking at advertising to this market. Magazines such as *Home Office Computing* and the support they are receiving by some companies, particularly Japanese marketers, shows how they are now starting to better target this market," he says.

"I expect to see other [print] vehicles being developed to reach this market. These vehicles will be more effective than current direct-mail efforts," Mr. Nilles says. □

Jacquelyn Bivins is a free-lance writer based in Caldwell, N.J.


COUNTRYSIDE
Premier Issue
A TRADITIONAL HORSE COUNTRY ESTATE
THE LURE OF LIFE ON A CLASSIC TROUT STREAM
A CALIFORNIA ROSE IN FULL BLOOM
SUMPTUOUS SPRING PICNICS





The home magazine category continues to expand; titles include: *Countryside, Country Living, Elle Decor* and *Metropolitan Home*.

in a room with three people [each with different design tastes] and each will tell you it's a magazine for them."

Elle Decor seems to have hit a nerve. A test issue of the monthly published last fall carried 64 ad pages. And the magazine has pulled in more than 30,000 subscriptions prior to its launch.

While magazine executives admit the personal field may not become as crowded as country, it is likely existing titles will add the personal philosophy to their editorial formulas, adopting to some degree *Elle Decor*'s "imagination, not imitation" slogan.

Existing titles such as *Metropolitan Home* already are positioning themselves as competitors to *Elle Decor*. And *Architectural Digest* is talking about the move to more personal style.

"It's now OK to mix different things in the house," Mr. Losee says. "In the past people were structured, but now there's so much more freedom of expression and a willingness to experiment."

Mr. Losee will not say whether *AD* will address the personal niche editorially, but acknowledges, "We try to react as best we can to trends."

But industry observers say the personal category is limited and question how many magazines it can support.

For one thing, the personal-style segment is not likely to attract new advertisers to home magazines, say insiders, leading to greater fragmentation of the advertising universe.

However, the personal segment is attracting a new type of product to shelter publications, says Ms. Perkins.

While the traditional and personal subcategories grow, industry observers predict the country category will stay hot in the '90s and continue to expand.

"Everything that's beginning sociologically is adding to the country fires," says John Mack Carter, editor in chief of *Good Housekeeping* and director of magazine development for Hearst. "People . . . feel they've lost something in the past, and they've found they can restore that through the country style."

Mr. Carter and others say the new generation of home magazines will likely approach country design from a less whimsical, more European-influenced angle, attracting a different class of shelter book advertiser.

Countryside, for example, is actually modeled after the British *Country Living*. He expects *Countryside* will attract advertisers of more sophisticated, high-end products. □

combines an 8mm VCR and small TV, is selling "for about 20 times the price of the audio Walkman—about $1,999," says Mr. Bolotsky. "But if marketed properly, portable video or TV could be very big."

"If marketed properly, portable video or TV could be very big."

He says the products' biggest obstacles are price, portable video's traditionally poor picture quality and lack of films available in 8mm format.

With marketers seeing lower growth in most segments, they will look to niches, such as the one Sony has targeted with My First Sony children's line.

"You will see more lifestyle-oriented product," says Mr. Mehrotra.

After seeing TV sales grow from 11 million to 22 million in the past decade, marketers will have to look for growth from new marketing techniques, he says.

"Instead of thinking of televisions as boxes, we will have to come up with added-value marketing ideas." While he would not disclose specific plans, Thomson's recent participation in tie-in promotions with McDonald's Corp. indicates what may be a big trend in consumer electronics in the near future. □

Exclusive Listing: Gr. Location. Qlty. Construction. Good Neighborhood. Real Value. Won't Last.

One of the best values on the real estate market this year doesn't have any doors or windows or a mortgage at any rate. It's the U.S.News Homeowner's Guide–our cover story on the state of the housing market.

The Homeowner's Guide covers all the bases including: Buying and selling. Home financing. Renovations and repairs. Renting. Home technology.

For home market advertisers it's a real find. The Homeowner's Guide will reach more adults who own quality homes* than House & Garden, Architectural Digest and Practical Homeowner combined.

So, if you're serious about reaching the home market, don't miss the best buy in the market this year–the U.S.News Homeowner's Guide coming April 9.

Issue Date: April 9 **Closing Date: March 23**

Contact Special Sections Manager, Susan Rafter, (212) 326-5304 about the special cable tie-in and bonus circulation.

U.S.News & WORLD REPORT
NEWS YOU CAN USE

Source: MRI, Fall 1989
*Adults who own a home worth more than $100,000

ADREVIEW

An unwanted comrade jumps on 'Soviet chic' bandwagon

(Rating: ★ ½)

By Bob Garfield

Garfield

"Soviet" brand jeans from Seattle, huh? Now there's an econopolitical mixed metaphor for you.

Jumping on the Big Thaw like a cheap suit, Seattle Pacific Industries is taking the ultimate symbol of Western bourgeois culture, the blue jean, and marketing it in the U.S. with a brand name signifying the very building blocks of the Red Utopia.

Karl Marx is probably turning in his grave, and so is Levi Strauss, I'll wager. We're talking after all about the quintessential American garment, the Western consumer product which—as a black-market staple most epitomizing the U.S.S.R.'s subterranean economy—contributed as much as the Strategic Defense Initiative to the current collapse of Soviet communism.

Scenes of confrontation, and the out-of-context use of the Russian language, make for a striking and extremely obnoxious introduction to Soviet sportswear.

Ochen stranniy, tovarishch.

Yes, comrade, very strange indeed. Apart from the fact that the marketing of "Soviet" sportswear is basically a Western enterprise, and beyond the irony of exploiting communist iconography for its profit potential, there is a central illogic to the whole thing—like an M.C. Escher print that seems at first glance to defy the physical limitations of 3-D space.

And that's before you even get to the advertising, which pits Japanese against American and black against white in order to deliver the *glasnost*-referencing Pollyannaism: "Work it out."

One of three 30-second spots from McCann-Erickson Worldwide, Seattle, depicts a fenced-in manufacturing plant of some kind. It's apparently a Japanese-owned plant in the U.S., and the American workers for some reason are locked outside the gate. After some shouting—in Russian, and don't ask me why—the Japanese steward opens the gate to let the Americans in.

In another spot, set on a New York street corner, a pair of Italian youths walk into a pair of black youths. Menacing glares are exchanged before they mutter something to one another—again in Russian—and pass without incident.

The third spot involves a confrontation between a black city gang and a rival gang member. I don't know what happens; the action is too confusing, but they do WORK IT OUT.

Penetrating social commentary from America's fashion industry.

"The spread of drugs, gang warfare, racism, etc. are a legacy of the 1980s that we hoped would go away but didn't," press-released Creative Director Jim Walker of McCann. "The phrase 'Soviet' reflects the attitude of the '90s, an international attitude, an attitude of hope. 'Work it out' sums up not only the attitude, but the work clothes' design principle behind the label."

Gag me with a spoonski.

Quick, notify the Ministry of Ideology and alert the People's Deputy Commissar for the Defense Against Counterrevolutionary Trivialization. Tell him an American company has hired Soviet fashion designers to help make mockery of the East-West peace process, the stakes of which are nothing less than the future of civilization.

Or call David Letterman and have him stoke up the Top 10 machine. Do something, because the last thing we need in the volatile midst of geopolitical turmoil is some pretentious blue-jean company spewing puerile moralisms at us.

It's all well and good that American marketers are moved to acknowledge major geopolitical changes and the prospects for deliverance from the nuclear guillotine. Maybe Quintessence and AT&T Co. seemed excessively ardent, or out of place or even crass in posing by the Berlin Wall, but you sensed that their heart was probably in the right place.

Not so here. While you can't blame Seattle Pacific for trying to make a big American buck off of Soviet chic, you can absolutely blame them for dishing out this insufferable pseudo-commentary—philosophical pablum that contaminates and overwhelms what otherwise would be unusually stunning work.

Chris Blum's cinematography is splendid. Norman Durkee's cello/piano/electric guitar/percussion music is riveting. And the notion of Russian words tumbling from proletarian American mouths would have been wonderful—in another context. Inscrutability in fashion advertising works. Sermonizing does not.

But, heck, as long as we're preaching to one another here, and in the spirit of global understanding, here's some advice to Seattle Pacific:

Throw it out. □

The rating system uses four stars to represent excellent, three for notable, two for mediocre and one for pathetic.

Magazine tobacco ads

(Continued from Page 3)

Sullivan recently asked publishers to start carrying public service messages warning about the dangers of smoking.

"You'd have to have your head in the sand not to realize that with people like Kennedy and Sullivan, there's going to be a lot of excitement in Washington," said James Guthrie, exec VP-marketing development for the Magazine Publishers of America.

"When the opposition is this strong, smart businessmen have to consider their options," he said.

A recent study sponsored by the Leadership Council on Advertising Issues--a coalition of advertising, agency and media executives—detailed the possible consequences of a ban on tobacco advertising.

According to the report, as many as 165 magazines would fold without tobacco advertising. Magazines most likely to be seriously wounded include large-circulation general-interest titles, such as *Time, Sports Illustrated, People, Newsweek* and *TV Guide*, the report indicates *(see chart on Page 3)*.

Resistance to anti-tobacco legislation is by no means waning, however. The MPA said it recently asked its members to lobby Congress, and representatives of the Freedom to Advertise Coalition testified at hearings last month in opposition to Sen. Kennedy's bill.

"I firmly believe reason will prevail," said Reginald K. Brack Jr., chairman, president and ceo of Time Inc. Magazine Co. "There is still enough compelling evidence offered at the hearings for these bills that it is unlikely legislators will render a legally sold product illegal to advertise."

However, during a speech in January before the Advertising Club of New York, Mr. Brack told his audience, "You know about the numerous legislative threats to tobacco advertising. If, and hopefully a big if, they reach the floor of the House, any one of them would pass with a landslide."

Mr. Brack insisted Time Warner has no formal plan for dealing with a tobacco ban.

"We do, in all of our planning, try to be conservative," he said.

The MPA's Mr. Guthrie pointed out that publishers have already been forced to lessen their dependency on tobacco in recent years.

According to Publishers Information Bureau figures, tobacco spending in magazines—which totaled $401.5 million last year—has been basically flat since 1983, rising a total of less than 1%. In the same period, total consumer magazine ad revenues rose 69% to $6.4 billion.

In 1983, tobacco was the second-largest magazine ad category in terms of revenue. Last year, it ranked sixth, behind No. 1 automotive, No. 2 toiletries and cosmetics, No. 3 business/consumer services, No. 4 direct response and No. 5 food.

The flat spending resulted from tobacco companies shifting spending from magazines to trade and consumer promotions, outdoor and regional efforts. Adding to the trend was R.J. Reynolds Tobacco Co.'s decision to cut magazine spending by more than 25% in 1990.

"The long-term trend has been a downward appearance of tobacco advertising," said Bill Kerr, president of The New York Times Co. Magazine Group, publisher of *Family Circle* and *McCall's*, among others. "Tobacco is a market that will dwindle over time, so we have to work hard to bring in new categories, new lines of revenue."

"We recognize the possibility that tobacco advertising may be legislated away at some point," said Joseph Cece, president-publisher of *TV Guide*. "There's no grand plan, but it's in the back of every publisher's mind. What happens if this advertising goes away entirely?" □

Coke II

(Continued from Page 3)

own personality and wasn't supported by many Coca-Cola bottlers.

"It's a good brand, but a lot of people didn't give it a fair chance," said Morris Strickland, VP-sales and marketing at Quachita Coca-Cola Bottling, Monroe, La. "It has a stigma that it has to overcome. But once it's born on its own, then it's going to be possible as a fighting brand. . . . I'm excited about it. We're clearing the air for once and for all."

Coke II is the same formula as new Coke with a new package, a new name and new advertising via McCann-Erickson Worldwide, New York. The package is red with white lettering outlined in blue—the colors of the Pepsi can.

A Coca-Cola spokesman said Coke II will be positioned as having "real cola taste plus the sweetness of Pepsi," but he declined to discuss specifics about the advertising campaign.

Coke II is likely to turn the tables on Pepsi by making Pepsi appear old-fashioned. That's the same strategy Pepsi has been using on Coca-Cola Classic for years. Ads also are expected to name and directly attack Pepsi.

Some industry observers said Coca-Cola is making the changes to exorcise itself from the new Coke fiasco, which is raised each time the company tries to promote the brand.

"It's become a corporate embarrassment," one executive said.

Marketing executives were divided over whether Coke II is a good idea.

Mr. Ries of Trout & Ries said it's not a good strategy.

"Leaders ought to be leaders; they shouldn't be introducing me-too products," he said.

Some industry observers said Coca-Cola is making the changes to exorcise itself from the new Coke fiasco, which is raised each time the company tries to promote the brand.

But Allen McCusker, principal of the Canaan Parish Group, called the strategy a great idea. He said it will enable Coca-Cola to draw in young consumers and gain their loyalty early.

"It's always easier to move a consumer to another brand in the family than to get them to switch from one brand to another," he said. □

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LAST MINUTE NEWS

Heublein, Y&R split

FARMINGTON, Conn.—Heublein and Young & Rubicam announced Friday they will part ways effective June 15 on the estimated $15 million-to-$17 million Heublein account. A Heublein spokesman said the company wants "a new strategic direction for the brands as the beverage alcohol business becomes increasingly competitive." The account includes Jose Cuervo tequila, Finlandia vodka, Mouton-Cadet wines, Christian Brothers brandy, Heublein cocktails, Truffles liqueur, and Beaulieu Vineyard, Lancers and Inglenook wines. Cuervo was earlier rumored to be in jeopardy at Y&R, but Heublein denied it (AA, Oct. 8). Heublein hasn't begun a review but is "exploring all options" and hasn't ruled out going to a boutique shop. The company also said it hasn't decided whether it will appoint more than one agency for the brands. McCann-Erickson Worldwide, New York, is Heublein's other main agency.

Former exec hits RSCG

LONDON—KLP International Managing Director Gerry Postlethwaite said last week he's been fired by RSCG, which recently acquired KLP Group. Mr. Postlethwaite is threatening legal action against RSCG for breach of contract. He said he's also trying to recoup money owed to him through both a service contract and a separate sales contract arising from the 1988 sale of his 25% stake in KLP International to KLP Group. RSCG didn't return calls.

Fox studio names finalists

LOS ANGELES—20th Century Fox Film Corp. said finalists for its estimated $30 million spot media-buying account are incumbent J. Walter Thompson USA, BBDO Worldwide, Bozell, Campbell & Wagman and Young & Rubicam, all here. A decision is expected April 2.

Continental nears pick

HOUSTON—Continental Airlines today may select Lintas:New York or

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INSIDE

Get animated ..... P. 4
Fox Broadcasting's "The Simpsons" moves into the merchandising spotlight.

Riney talks ..... P. 68
Hal Riney says forget an agency sale. . . . but maybe a merger.

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Ad-tax fight moves north to New York

By Jon Lafayette and Steven W. Colford

A plan to apply a 4% sales tax to advertising has surfaced in Madison Avenue's own back yard.

The proposal, still in the preliminary stages, from New York state Assemblyman Edward Sullivan (D., Manhattan) would tax newspaper, TV and radio advertising but not creative services. The tax would raise an estimated $252 million.

Assemblyman Sullivan floated his trial balloon in a letter to fellow lawmakers. The letter also raised the notion of taxing a list of other professional services.

"Tax-raising proposals such as Assemblyman Sullivan's require even greater vigilance from the ad community because the chief sponsor is a committee chairman," said Dennis Brown, executive director of the industry's State Advertising Coalition.

Assemblyman Sullivan, 56, chairman of the Committee on Higher Education, may see the tax as a means of providing more funds for education in the state.

New York is but the latest battleground for a growing number of tax initiatives aimed at advertising. The state appears to be picking up the baton barely a week after Kentucky Gov. Wallace Wilkinson backed down from his ad-tax legislation.

In addition to the Sullivan letter, New York Assemblywoman Nettie Mayersohn (D., Queens) has introduced a measure into the New York Assembly that would levy a 7% sales tax against creative services used to produce tobacco advertising.

"A sales tax will help to discourage the advertisement and sale of printed material that promotes and induces the use of cigarettes and other tobacco products medically proven to cause cancer," said a state memorandum attached to the Mayersohn bill.

The measure has been assigned to the Ways & Means Committee, but no hearing has been scheduled.

Nearby Rhode Island appears to be another hotbed of ad-tax legislation.

Sen. Richard Patterson (D., Providence) has introduced a measure to attach a 6% sales tax to classified advertising. The bill is under consideration by the Senate Finance Committee.

Sen. John Bevilacqua (D., Providence) is chief sponsor of a bill to repeal advertising's exemption from sales taxes.

Russell Dannecker, fiscal adviser to the state Senate, said that proposal could raise

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Shops to clients: Pay up

4A's members call for an end to free services

By Jon Lafayette and Cleveland Horton

PALM DESERT, Calif.—Ad agencies are demanding that clients pay for services formerly provided free, and are getting even tougher with financially troubled clients.

The clarion call for this new get-tough attitude was sounded at the American Association of Advertising Agencies' annual meeting here by Martin Sorrell, chief executive of WPP Group.

"In every other business I know, marketing strategies of this kind demand huge and totally justified prices," Mr. Sorrell said. "In the agency business, however, we give them away with the ads."

He warned that agencies risk becoming little more than "ad factories" unless they start charging for the marketing and analysis they provide.

Mr. Sorrell's comments were in sharp contrast to Chrysler Corp. Chairman Lee Iacocca's call in 1987, when he asked the Four A's membership: "What have you done for us [clients] lately?"

"The worm has turned," Robert L. James, chairman-ceo of McCann-Erickson Worldwide, New York, said in an interview during the meeting. "Now we tell clients who want us to, say, put on a sales meeting for them, that they'll have to pay for it. It's not a trend yet, but it's the beginning of a trend."

Jack Kraft, Leo Burnett Co. vice chairman, said agencies are getting more "businesslike. . . . They are not as ashamed to talk about money."

He said Procter & Gamble Co.'s decision a year ago to pay agencies "fairly" for all services is a big factor in getting other clients to follow.

The other services include public relations, sales promotion, direct marketing and package design—all part of what Four A's President John O'Toole called "the new advertising."

The Four A's new chairman, DDB Needham Worldwide Chairman-CEO Keith Reinhard, said he hopes to invite some marketers to join a committee that would study examples of situations where integrated marketing has worked and where it hasn't.

"Structural reforms might be suggested on both sides, and compensation reforms might be indicated," Mr. Reinhard said. "If we can get our act together, we can build brands quicker. It would bring more revenues to the members and more

(Continued on Page 66)

Doug Goodman

Keith Reinhard (l.), new chairman of the American Association of Advertising Agencies, with Alexander Kroll (c.), newly elected vice chairman, and John O'Toole, Four A's president.